

# Needed for the future: A leaner, more focussed state



The election is over. It is the time for all Indians and political parties to think critically about what the government should do about India's

enormous problems, to find common ground, and set to work.

One out of three Indians eke out their existence in hopeless poverty. Two generations after the British departed, every other Indian cannot read or write. Eleven out of every hundred newborns die before reaching the age of five. Shortage of power, pollution, and congestion have made India's metropolises almost unlivable. In Delhi, air is so dirty that a morning walk does more harm than good.

These problems show up in international comparisons. India accounts for 15 per cent of the world population, but only 4 per cent of the world income and one half per cent of the world trade.

But the picture is not hopeless, India also has enormous resources to deal with these problems. Whether our problems will overpower our inventiveness and resources depends on whether India's lead-

## *A re-focused government must reduce transactions costs to facilitate production and trade, say V S Arunachalam and Shyam Sunder*

ers have the will to set their differences aside, choose wise policies, and implement them honestly and effectively. India can become an economic power.

What should India's government do and not do? Given all the diversity of views and objectives in India, it should be possible to agree on an outline of a minimal common ground for the next government.

**Vision:** The government must articulate a vision of India's future and lay a clear, feasible and understandable path to achieve that vision. A nation consumes only what it produces in its fields and factories, or earns through internal or external trade.

**Any vision for the future of India must include a way to promote production and trade. There is no other way for Indians to live better.**

**People:** Wealth of a country is the skills and earning power of its people, not just the gold in its vaults. At the end of the Second World War Japan and Germany were bombed and bankrupt. Yet, a gener-

ation later, they rejoined the ranks of the richest countries of the world because their wealth was in the education and skills of their people who survived the war.

Every child who is deprived of her education to work in the fields, in the quarries, or wash dishes in the fashionable suburbs of Delhi represents a lost opportunity for India to build its future. The new government must immediately implement that forgotten promise of the constitution to educate every child. It would be a tragedy for India to condemn yet another generation of its young to the darkness of illiteracy.

**Work:** When pay is a reward for performance, individuals work hard to earn more for themselves and for society as a whole. Societies with strong work ethic become rich. Guaranteed pay for shoddy work is a prescription for national economic suicide. The new government must create conditions for economic growth so it will generate employment in both rural and urban areas. It should

make laws so workers are treated fairly, enforce no-work, no-pay rule in all sectors of economy, and encourage responsible behaviour by workers and employers.

**Bureaucracy:** A large country like India requires a complex set of governmental organisations and institutions. Bureaucracy must earn public trust by performing public service, and be paid a fair wage to attract the talent. Its structure should be driven by criteria of efficiency, simplicity and continuous improvement.

**Focus:** Try to do too many things, and many will not be done well while others may not be done at all. During the past forty years the central and state governments in India expanded into private businesses such as running buses, factories, hotels, and trading companies and so on. There is ample evidence that governments are not good at this work. They have a public purpose — to step in to provide essential services for human development (primary schools, for example),

services that private enterprise will not provide (such as basic research), and the necessities of maintaining a shared democratic vision of society (such as police and national defence).

A re-focused government of India can concentrate on providing essential public services that will facilitate production and trade by reducing the cost of conducting transactions. Today, the poor quality of public services and infrastructure cause public to bear a high cost of conducting simple transactions. Withdrawing money from the bank, travelling to the next town, even making a telephone call becomes a time consuming and demanding chore. Better public services and infrastructure will reduce the transactions cost, increase production and trade, and make India a nicer place to live.

Development of vision, people work, organisation, and focus must be carried out in many facets of Indian economy. These basic ideas are relevant to education, the system of pay and jobs, restructuring of government, development of industry and infrastructure, and harnessing the power of science and technology. In the coming days, we shall return to these topics in some detail.